THIRTY-FIFTH REPORT

PUBLIC ACCOUNTS COMMITTEE (2001-2002)

(THIRTEENTH LOK SABHA)

EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (1997-98)

[Action Taken on Sixth Report of
Public Accounts Committee (13th Lok Sabha)]

Presented to Lok Sabha on 24 April, 2002
Laid in Rajya Sabha on 24 April, 2002

LOK SABHA SECRETARIAT
NEW DELHI

APRIL, 2002/VAISAKHA 1924 (SAKA)

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COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE
(2001-2002)

#Shri N. Janardhana Reddy — *Chairman*

Lok Sabha

MEMBERS

2. Shri Adhi Sankar
3. Shri M.O.H. Farooq
*4. Shri Bhartruhari Mahtab
5. Dr. Madan Prasad Jaiswal
6. Shri M.V.V.S. Murthi
7. Shri Rupchand Pal
8. Shri Prakash Paranjpe
9. Shri Chandresh Patel
10. Vacant
11. Shri C. Sreenivasan
12. Kunwar Akhilesh Singh
13. Shri Chhattrapal Singh
14. Shri Prabhunath Singh
*15. Dr. Sahib Singh Verma

Rajya Sabha

16. Shri S.R. Bommai
$17. Shri Anantray Devshankar Dave
18. Shri K. Rahman Khan
$19. Dr. Y. Radhakrishna Murty
@20. Shri Onward L. Nongtdu
21. Shri Satish Pradhan
22. Prof. Ram Gopal Yadav

Secretariat

1.	Shri P.D.T. Achary	*Additional Secretary*
2.	Shri K.V. Rao	*Joint Secretary*
	Shri Devender Singh	*Deputy Secretary*

Appointed as Chairman of the Committee w.e.f. 15.3.2002 *vice* Shri Narayan Datt Tiwari resigned from Chairmanship of Committee consequent upon his appointment as Chief Minister.

* Elected w.e.f. 29 November, 2001 *vice* Shri Vijay Goel and Shri Annasaheb M K. Patil ceased to be Members of Committee consequent upon their appointment as Minister.

$ Ceased to be Members of Committee consequent upon their retirement from Rajya Sabha w.e.f. 09.04.2002.

@ Ceased to be Member of Committee consequent upon his retirement from Rajya Sabha w.e.f. 12.04.2002.

INTRODUCTION

I, the Chairman, Public Accounts Committee having been authorised by the Committee to present the Report on their behalf, do present this Thirty-Fifth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their Sixth Report (13th Lok Sabha) on "Excesses Over Voted Grants and Charged Appropriations (1997-98)".

2. The Report was considered and adopted by the Public Accounts Committee at their sitting held on 19 April, 2002. Minutes of the sitting form Part-II of the Report.

3. For facility of reference and convenience, the recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix to the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI;
19 *April*, 2002
29 *Chaitra*, 1924 *(Saka)*

N. JANARDHANA REDDY,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

The Sixth Report (13th Lok Sabha) of the Public Accounts Committee on "Excesses Over Voted Grants and Charged Appropriations (1997-98)" was presented to Lok Sabha on 27th April, 2000. The Report contained 10 recommendations including a recommendation (Para 54) which related to more than one Ministry/Department.

2. Action Taken Notes have been received from Government in respect of all the recommendations/observations. The recommendations/ observations of the Committee have been categorised as follows:

(i) Recommendations or observations which have been accepted by Government.
Sl. Nos. 1, 2, 3, 4, 5, 6, 7, 9 and 10
(Para Nos. 45, 46, 47, 48, 49, 50, 51, 53 and 54)

(ii) Recommendations or observations which the Committee do not desire to pursue in view of the replies received from Government.

NIL

(iii) Recommendations or observations replies to which have not been accepted by the Committee and which require reiteration.
Sl. No. 8
(Para No. 52)

(iv) Recommendations or observations in respect of which Government have furnished interim replies/no replies.

NIL

3. The Sixth Report (13th Lok Sabha) of PAC dealt with the cases of those grants/appropriations where money had been spent in excess of the amount authorised by Parliament for specified services/purposes in the year 1997-98. The Committee's examination revealed that lack of proper accounting information systems and non-observance of prescribed financial rules were the main contributory reasons for expenditure exceeding the amounts sanctioned by Parliament. In the light of shortcomings noticed in observance of prescribed financial rules, the Committee had made recommendations such as rigid enforcement of prescribed financial rules and procedures, revamping of budgetary systems in the department of Telecommunications, need to modernize the budget wings and accounting formations at the level of Railway Board and Zonal Railways, to review the efficacy and rationale of the system of making appropriations to

different Railway Funds and ascertain the reasons for each case of misclassification and take conclusive action against the officials found responsible for lapses.

4. The action taken notes furnished by the Ministry on the various observations/recommendations of the Committee contained in the Report have been reproduced in the relevant Chapters of this Report. In the succeeding paragraphs, the Committee, however, deals with the action taken by the Government on some of their recommendations/ observations.

Delay in submission of Action Taken Notes

5. In accordance with the time schedule prescribed by the Committee in their 5th Report (4th Lok Sabha), notes on the action taken by Government on the recommendations contained in their 6th Report (13th Lok Sabha) were required to be furnished by 26 October, 2000. An analysis of the receipt of action taken notes from the Ministries/ Departments (in one case from more than one Ministry/Department), however, discloses the following position:

(Due for submission on 26.10.2000)

Sl. No.	Para No.	Ministry/Department concerned	Date of receipt of ATNs	Delay
1.	45	Finance (Expenditure)	6.11.2000	11 days
2.	46	Finance (Expenditure)	15.11.2000	20 days
3.	47	Surface Transport (Deptt. of Shipping)	26.09.2000	
4.	48	**Communications (Deptt. of Telecommunications)**	**05.04.2002**	**18 months**
5.	49	Railways	21.03.2001	5 months
6.	50	-do-	-do-	-do-
7.	51	-do-	-do-	-do-
8.	52	-do-	-do-	-do-
9.	53	-do-	-do-	-do-
10.	54	Finance (Expenditure & Economic Affairs)	8.12.2000	1½ months
		Railways	**Not yet received**	
		Communications (Deptt. of Telecom.)	**-do-**	

6. Commenting on the persistent tendency of delay in the submission of ATNs on the recommendations/observations contained in their 14th Report (13th Lok Sabha), the PAC had in Paragraph 5 of the Report recommended:

> "The Committee are constrained to point out that despite their repeated exhortations about the submission of Action Taken Notes within six months from the date of presentation of a report to Parliament, some Ministries/Departments of Government of India are yet to adhere to the prescribed time schedule. Such delays are unacceptable. The Committee desire that the Government should examine the causes of such delays and make earnest efforts to ensure that action taken notes are finalised by all concerned Ministries/ Departments with utmost expedition so as to be furnished to the Committee within the time limit prescribed."

7. The ATNs received in this regard from different Ministries/ Departments are reproduced below:

Ministry of Finance (Department of Expenditure—Monitoring Cell)

"In pursuance of the recommendations contained in para 5 of 14th Report of Public Accounts Committee (13th Lok Sabha) a circular O.M. has been issued to all the Ministries/Departments with the request that the ATNs on the recommendations of Public Accounts Committee should be finalised expeditiously so that these are submitted to the Committee within the time limit prescribed by them. This is in addition to the DO letter sent to the Financial Advisers of the concerned Ministries/Departments mentioned in para 4 of the recommendation.

It is observed that in certain cases, Ministries/Departments fail to adhere to the time limit prescribed by the Committee, as the requisite material/information for preparing Action Taken Notes is to be collected from field formations spread far and wide besides State Governments. At times, delay occurs as the issues involve critical examination necessitating consultation amongst other Departments. Frequently, Action Taken Notes are returned by Audit with certain observations, which require further action to be taken by Ministries/ Departments. Instructions have been issued to Ministries/ Departments that Monitoring Committee headed by Secretaries of the administrative Ministry/Department should meet atleast once a month to monitor disposal of pending Action Taken Notes. Apart from this, concerned Departments are being periodically reminded at Secretary (Expenditure)/Controller General of Accounts level by highlighting the urgency of submitting Action Taken Notes within the prescribed time limit."

Ministry of Urban Development and Poverty Alleviation

"The directions of the Hon'ble PAC to ensure that ATNs are finalised with utmost expedition and furnished to the Committee within the time limit prescribed have been noted for compliance."

Ministry of Finance (Department of Expenditure)

"The Ministry of Finance is concerned that a delay of more than 8 months took place in preparation of Action Taken Note on Para 48 & 49 of the First Report of the Public Accounts Committee (12th Lok Sabha). It is submitted that while it was time consuming exercise for this Ministry to formulate its views to devise a mechanism to keep a check on excess expenditure over voted grants/appropriations, a considerable time elapsed in protracted correspondence between this Ministry and the Audit on the point whether such a mechanism should be devised under the direct control of this Ministry or by all the Ministries/Departments, as specific to their individual requirement with a provision for monthly review by the concerned Financial Adviser on flow of expenditure. While the Audit opined that a mechanism under the direct control of the Ministry of Finance should be devised, this Ministry felt that any mechanism under direct control of the Ministry of Finance would not only be against the spirit of the existing decentralised financial management system but would also lead to administrative delays and difficulties and, moreover, occurrence of excess is confined to a few grants and, therefore, it is not warranted to revert back to a centralised control system. This Department had initially sent the Action Taken Notes to the Audit on 5.7.99 which was asked by the audit to revise the note *vide* their U.O. Notes dated 26.7.99 and 22.9.99 and finally the Audit *vide* U.O. Note dated 17.01.2000 desired that their opinion may be incorporated in the Action Taken Notes. This was, accordingly, done and the Action Taken Note was duly finalised by 17.2.2000 and submitted to the Monitoring Cell on 24.2.2000.

It may, therefore, be appreciated from the above that the delay took place mainly because of thorough examination of all the issues emanating from the recommendations of the PAC. Nevertheless, the recommendations of the PAC are taken note of and all possible efforts will be made in future to prepare ATNs within the prescribed time."

8. **Drawing attention to the persistent delay in the submission of ATNs on their recommendations and observations, the committee in Paragraph 5 of their 14th Report (13th Lok Sabha) had desired that the Government should examine the causes of such delays and make earnest efforts to ensure that ATNs are finalised by all concerned Ministries/Departments with utmost expedition so as to be furnished the Committee within the time limit prescribed. It is seen from the action taken note that, as in the past, the**

Ministry of Finance (Department of Expenditure—Monitoring Cell) have issued instructions to Ministries/Departments that Monitoring Committee headed by Secretaries of the administrative Ministries/Departments should meet atleast once a month to monitor disposal of pending ATNs. According to them the concerned Ministries/Departments are being periodically reminded at Secretary (Expenditure)/Controller General of Accounts level by highlighting the urgency of submitting ATNs within the prescribed time limit. The Committee have been emphasising, year after year, the need for ensuring that their recommendations receive prompt attention, and also for scrupulously observing the time-schedule prescribed in their 5th Report (4th Lok Sabha) for the furnishing of ATNs to the Committee. Though there has been no dearth of instructions in this regard in pursuance of the Committee's earlier recommendations on the subject, the position still continues to be far from satisfactory as unconscionable delays continue to recur. The Committee reiterate that given the will, and with a little effort, it should be possible for the Ministries/Departments to furnish the ATNs in much quicker time in any case, some in exceptional circumstances, within the prescribed period of six months from the presentation of the Report of the House.

Excess expenditure under Grant No. 14—Appropriation to funds (Sl. No. 8, Paragraph 52)

9. While examining the excess expenditure incurred by the Ministry of Railways (Railway Board) under Grant No. 14—Appropriation to funds during the year 1997-98 the Committee in Paragraph 52 of their Sixth Report (13th Lok Sabha) have *inter-alia* recommended:

> "The Ministry of Railways also incurred an excess expenditure of Rs. 65.23 crore under Grant No. 14—Appropriation to Funds. As in the past, the Ministry have pleaded that the excess under this grant is in the nature of "technical excess" arising from improved financial results during that year. The Committee's examination however, revealed that while the Railway Convention Committee in their Third Report (11th Lok Sabha) had agreed with the proposal of the Ministry of Railways that the contribution to the Depreciation Reserve Fund (DRF) for 1997-98 might be kept at Rs. 2000 crore subject to minor adjustments and the capacity of the system to generate internal resources, the Ministry subsequently reduced the appropriation to DRF by Rs. 96 crore and enhanced the allocation to Capital Fund by an equal amount. The end result at the close of the accounts for the year was that the amount of Rs. 1904 crore appropriated to DRF was far less than the actual expenditure of Rs. 1983.28 crore incurred from this fund while the Capital Fund was credited with Rs. 1189.89 crore which was in excess by Rs. 165.89 crore over the original budgeted level. In the absence of any plausible explanation, the Committee are unable to comprehend as to what prompted the Ministry to reduce the contributions to DRF particularly when there is a crying need to

meet the expenditure on replacement and renewal of the existing assets of the Railways. At this stage, the Committee can only expect the Railways to review the efficacy and rationale of their system of making appropriations to different Railway Fund under this grant."

10. The Ministry of Railways in their Action Taken Notes submitted to the Committee have stated:

"The concern of the Committee is noted. It is submitted that although appropriation to DRF from revenue was reduced from Rs. 2000 cr. In BE to Rs. 1904 cr. the total appropriation to the Fund was Rs. 2049 cr. made up of Rs. 1904 cr. from revenue Rs. 50 cr. from Capital and Rs. 95 cr. as interest accrued. Against this appropriation of Rs. 2049 cr. the actual outgo was Rs. 1983 cr. Thus the entire requirement of funds under DRF was met. The "Excess", or the balance available after payment of dividend was appropriated to the Capital Fund, as is required.

The appropriation to different Railway Funds is, presently, made keeping in view the likely expenditure from these Funds. While the appropriation to Pension Fund is based on the estimated requirement of the pensionary charges during the year, the appropriation to the other Railway funds *viz.*, Depreciation Reserve Fund. DF & Capital Fund depends upon the plan requirements as fixed in consultation with the Planning Commission taking into account the financial position and resource availability. The appropriation would continue to be on the same basis till the financial position of the Railways permit higher appropriations than withdrawal."

11. While pointing out appropriation to different Railway funds under this Grant, the Committee in their earlier Report had expected the Ministry of Railways to review the efficacy and rationale of their system of making appropriations to different Railway Funds under this Grant. Surprisingly, the Ministry of Railways have merely enumerated the present system of appropriation to different Railway Funds without disclosing the action taken or proposed to be taken to review the efficacy and rationale of the prevailing system. Obviously, the matter has not been addressed seriously and the failure of the Ministry to act upon the specific recommendation of the Committee is quite evident in this case. The Committee once again reiterate their earlier recommendation and urge the Ministry of Railways to evolve a sound and effective procedure for proper allocation to different funds based on concurrent review of actual need. They would like to have a specific report in regard to implementation of the recommendation of the Committee.

Misclassification of expenditure
(Sl. No. 9, Paragraph 53)

12. Commenting on the recurring instances of misclassification of expenditure under the Grants of the Railways the Committee in paragraph 53 of the Sixth Report (13th Lok Sabha) had recommended:

> "The Committee are perturbed to find that the instances of misclassification of expenditure continue to recur unabatedly in Railway Accounts despite issuance of instructions by the Ministry of Railways in pursuance of the oft-repeated concern expressed by the Committee. Surprisingly, as many as 80 cases of misclassifications in expenditure were noticed in the accounts of 1997-98 and this misclassification even effected the quantum of excess expenditure under the grants of the Railways as a whole. While expressing their unhappiness over the manner in which accounts were maintained by Railway Administrations where glaring errors escaped unnoticed and could be rectified only after the finalisation of Appropriation Accounts, the Committee would like the Ministry of Railways to pay attention to this aspect so as to eliminate chances of misclassification of expenditure. The Committee also expect the Railways to ascertain the reasons for each case of misclassification and take conclusive action against the officials found responsible for lapses in all such cases."

13. In their action taken note furnished to the Committee the Ministry of Railways have stated:

> "The Statement of Misclassification/Mistakes in accounting broadly fall under the following categories:
>
> (i) Misclassification between Voted and Charged expenditure;
>
> (ii) Misclassification/Mistake between one Grant and another;
>
> (iii) Misclassification/Mistake arising from lack of vigilance at various levels; and
>
> (iv) Misclassification/Mistake arising from a differing perception as regards the interpretation of allocation Rules of Procedures.
>
> The statement of Appropriation Accounts—Annexure "J" is divided into two parts *i.e.* Part I and Part II, the former being Misclassifications affecting the Grant Accounts for the year and the later reflecting Other Mistakes in accounting *viz.*, delayed accountal/ non accountal of transfer of materials etc. Of the 80 items which are appearing in the Annexure "J" for 1997-98, 30 cases figured under Part I.
>
> The zonal Railways/Units concerned had been directed to ensure that corrective action is taken after reviewing individual cases of Annexure "J" *vide* Board's D.O. letter No. 98, APP/4-12/97-98 dated 11.2.2000.

The Misclassifications/Mistakes which are of an avoidable nature are viewed seriously and the circumstances under which they occurred are examined for taking appropriate follow-up action.

It will continue to be the constant endeavour of the Railway to minimise the incidence of misclassifications."

14. Taking a serious view of the recurring trend of misclassification of expenditure in Railway Accounts, the Committee had in their sixth Report (13th Lok Sabha) desired that the Ministry of Railways ascertain the reasons for each case of misclassification and take conclusive action against the officials found responsible for lapses. The action taken note furnished by the Ministry of Railways reveals that the Ministry have once again directed the Zonal Railways/Units concerned to ensure that corrective action is taken after reviewing individual cases of Annexure "J". Taking note of the large number of cases of misclassifications during the year 1998-99 and 1999-2000, the Committee are led to conclude that the repetitive instructions issued by the Ministry have failed to goad the Zonal Railways/Units to tackle the problem of misclassification of expenditure or erroneous adjustment. Going by the past record of cases of misclassifications, the Committee are of firm opinion that either the procedure prescribed for prompt reconciliation of expenditure figures is imperfect or the various supervisory levels have failed to exercise effective control over the accounts. The Committee hope that the solemn assurance of the Railways to the Committee that it shall be their constant endeavour to minimize the incidence of misclassification will bring tangible results in the succeeding years.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVT.

Recommendation

The Committee find that an expenditure of the order of Rs. 530.41 crore had been incurred by four Ministries/Departments of the Union Government in excess of the funds authorised by Parliament under 10 grants/appropriations during the year 1997-98. The Committee are particularly distressed to observe that as in the preceding year, the bulk of the excess expenditure *i.e.*, Rs. 356.41 crore had occurred under the loan grant operated by the Department of the telecommunication which alone accounted for over 67 per cent of the total excess expenditure incurred during the year under review. Amazingly, the quantum of excess expenditure had exceeded even Rs. 10 crore each in as many as six out of total 10 grants/appropriations which registered excess expenditure. What is still more disconcerting is the fact that this excess expenditure had occurred despite obtaining the supplementary provisions amounting to Rs. 1583.37 crore in nine cases of excess registering grants/appropriations. Considering the fact that supplementary funds in most of these cases were obtained in March, 1998, the Committee are in no doubt that the Ministries/Departments concerned had once again failed to assess their actual requirement of funds even at the fag-end of the year when they had adequate data on the trend of expenditure as well as their committed liabilities. An analysis of the reasons for excess expenditure during 1997-98, which have been discussed in some details in the succeeding paragraphs of this Report, clearly indicate that lack of proper accounting information systems and non-observance of prescribed financial rules were the main contributory features for incurrence of expenditure beyond limits sanctioned by Parliament. Although the Constitution as well as the General Financial Rules and the provisions in various Departmental codes clearly stipulate that no money shall be drawn from the Consolidated Fund of India except under appropriation made by law and that no expenditure shall be incurred over and above the total grants or appropriations authorised by Parliament by law for a financial year except after obtaining supplementary funds or an advance from the Contingency Fund, the Committee are constrained to observe that some Ministries/Departments of Union Government continue to display callous attitude towards rules laid down for containing the expenditure within the authorised limits. While viewing this state of affairs with grave concern, the Committee would like to emphasise that the Secretary, Department of Expenditure in

the Ministry of Finance should strongly and effectively draw the personal attention of the Secretaries in all the Ministries/Departments of the Union Government to bear in mind the excess expenditure is "unauthorised" expenditure and that the authority administering a grant/appropriation would be held personally responsible for the control of expenditure against the sanctioned provisions in terms of the instructions issued by Department of Expenditure on 17.10.94 in pursuance of the recommendation made by the Committee in paragraph 1.20 of their 60th Report (10th Lok Sabha). The Committee also desire the department of expenditure to impress upon all the Ministries to ensure rigid enforcement of prescribed financial rules and procedures so as to contain the instances of excess expenditure only to genuine and inevitable payments. Steps should also be taken to deal sternly with cases where any slackness is noticed in observance of prescribed financial rules.

(Sl. No. 1 Para 45 of the 6th Report of Public Accounts Committee (13th Lok Sabha)]

Action Taken

As per the financial rules and regulations, as prescribed under the General financial Rules, 1963, it is the primary responsibility of the Departments of the Central Government, on whose behalf a grant or appropriation is authorised by the Parliament, to exercise proper expenditure control so as to avoid excess over grants and appropriations by observing the principles laid down in the General Financial Rules. The Department of Expenditure has also impressed upon various Ministries/ Departments the need to exercise a proper expenditure control with a view to avoiding excess. In pursuance of the recommendations of the PAC contained in para 48 of its First Report (12th Lok Sabha), a D.O. letter from Secretary (E) to all the Secretaries to the Government of India was issued only recently on 17.2.2000 (copy enclosed at **Annexure. I**), whereby all the Departments have been advised to devise a mechanism to ensure that excess expenditure does not take place.

It is observed that in 9 out of 10 cases of excess reported upon by the PAC during 1997-98, the excess has taken place due to special reasons, *viz,* in the Minstry of Surface Transport (one case), Department of Telecommunications (one case) and Ministry of Railways (7 cases). These reasons arise out of transfer of excess or surplus revenue from increase of collection of light house dues to the General Reserve Fund in case of the Ministry of Surface Transport. In case of the Department of Telecommunications excess is due to appropriation of more surplus to the reserve funds which is an accounting adjustment not involving any cash outgo. Out of 7 cases in the Minstry of Railways, 3 relate to charged expenditure necessitated by Court deecrees. In the four cases of voted grants, the excess though more than Rs. 10 crore in each grant, constitutes 2.01%, 0.83%, 0.97% and 0.42% of the total grant in each case. The

excess as explained by Ministry of Railways is due to increased Electric Traction activity and revision in tariff rates of electricity besides a technical excess due to appropriation of improved net revenues to Railway Funds.

These Departments have been advised to specifically address these special reasons for excess and devise a ssuitable mechanism in their accounting procedures that would help distinguish between "technical" and "real" excess. A copy of the letter is enclosed at Annexure-II, Annexure-III and Annexure-IV.

As directed by the Public Accounts Committee, Secretary (E) has also written a letter to all the Secretaries to the Government of India **(Annexure. V)**, drawing attention to the earlier letter of 17.2.2000 and to bear in mind that excess expenditure is "unauthorised" expenditure and that the authority administering a grant/appropriation would be held personally responsible for the control of expenditure against the sanctioned provisions in terms of the instructions isued by the Deparment of Expenditure on 17.10.94. They have also been impressed upon to ensure enforcement of prescribed financial rules and procedures so as to contain the instance of excess expenditure only to genuine and inevitable payments.

Incidentally , the excess of 1997-98 has been regularised by Parliament on the PAC's reconsideration.

This has been vetted by Audit *vide* their U.O. Note No. RR./1-17/99-2000/595 dated 17.10.2000.

Sd/-
(USHA MATHUR)
Joint Secretary

Ministry of Finance
Department of Expenditure
E. Coord. Branch U.O. No. 12 (2)/E. Coord./2000 dated: 30.10.2000

ANNEXURE—I

D.O. No. 12(1)/E. Coord./99

सचिव
व्यय विभाग
वित्त मंत्रालय
भारत सरकार

SECRETARY
DEPARTMENT OF EXPENDITURE
MINISTRY OF FINANCE
GOVERNMENT OF INDIA
नई दिल्ली/NEW DELHI
Tel.: 3012929
3011663
Fax. : 3017546

New Delhi, 17th February, 2000

Dear Secretary,

I write this in the context of adverse report made by the Public Accounts Committee in Para 48 of their Report (12th Lok Sabha) regarding excess expenditure over the grants authorised by the Parliament to the tune of Rs. 706.72 crores during the year 1996-97. In case of the Ministry of Railways and Deptt. of Telecom., the excesses are of a very high magnitude.

2. The PAC has taken a serious view of the matter on occurrence of such instances, despite the fact that detailed instructions are contained in GFRs *vide* Rules 65 to 71 along with various decisions of the Govt. of India thereunder. A number of instructions have been issued by this Department also in the past in the context of similar adverse remarks made by the PAC in their previous reports.

3. Recurrence of excess expenditure, therefore, reflects on lack of control by the concerned controlling officers. Needless to mention, expenditure incurred by any Department in excess of authorisations approved by the Parliament is totally irregular and should not take place in any circumstances. It also reflects a certain lack of care in budget estimation followed by a perhaps casual monitoring system.

4. A need for devising a suitable mechanism, appropriate to the particular requirements of each of the Departments with a view to ensure that a proper check is exercised on the flow of expenditure under every grant, that too, on a regular basis, is imperative. You may please take

steps to put in place such a mechanism in consultation with your Financial Adviser, so that immediate and right steps are taken to avoid excess expenditure. The concerned FA may review the flow of expenditure every month and shall keep you informed so that necessary corrective action may be taken immediately.

5. I would be grateful, if you could kindly keep me advised of the action taken and the system devised by your Department in this regard.

With regards,

Yours sincerely,

Sd/-
(C.M. VASUDEV)

ANNEXURE-II

D.O. No. 12(2)/E. Coord./2000

सचिव
व्यय विभाग
वित्त मंत्रालय
भारत सरकार
SECRETARY
DEPARTMENT OF EXPENDITURE
MINISTRY OF FINANCE
GOVERNMENT OF INDIA
नई दिल्ली/NEW DELHI
Tel.: 3012929
3011663
Fax. : 3017546

30.10.2000

Dear Shri Ashok Kumar,

I am writing this in the context of the recommendations of the Public Accounts Committee contained in Para 45 of their 6th Report (13th Lok Sabha) relating to excess over voted grants and charged appropriations (1997-98).

2. The Committee has taken adverse congnisance of the fact that 7 out of 10 cases of excess have taken place in case of the Ministry of Railways. In the past a number of instructions have been issued by the Ministry of Finance in the context of the previous recommendations of the PAC regarding the need to avoid excess expenditure. In this connection you may please refer to my previous letter of 17.2.2000, issued in the context of the recommendations of the PAC in Para 48 of their First Report (12th Lok Sabha).

3. It is, however, seen that the instances of excess expenditure in case of the Ministry of Railways have not abated. According to the Ministry of Railways, the excess has taken place mainly because of more expenditure on account of increased Electric Traction activity and revision in tariff rates of electricity and appropriation to Depreciation Reserve Fund, Development Fund, Pension Fund and Capital Fund. While it may be argued that this is not a case involving any cash outgo, the fact remains

that this gets reflected as an excess over the voted grant threreby attracting adverse attention. You may explore whether the accounting procedure can be addressed to distinguish between such technical and real excess.

Yours Sincerely

Sd/-

Shri Ashok Kumar,
Chairman (Railway Board),
New Delhi.

(C.M. VASUDEV)

ANNEXURE-III

D.O. No. 12(2)/E. Coord./2000

सचिव
व्यय विभाग
वित्त मंत्रालय
भारत सरकार

SECRETARY
DEPARTMENT OF EXPENDITURE
MINISTRY OF FINANCE
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Tel.: 3012929
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30.10.2000.

Dear Shri Ghosh

I am writing this in the context of the recommendations of the Public Accounts Committee contained in Para 45 of their 6th Report (13th Lok Sabha) relating to excess over voted grants and charged appropriations (1997-98).

2. The Committee has taken adverse congnisance of the fact that the bulk of excess expenditure amounting to Rs. 356.4 crores has taken place in the single case of Department of Telecommunications. A number of instructions have been issued by the Ministry of Finance in the past in the context of the previous recommendations of the PAC regarding the need to avoid excess expenditure. In this connection, you may please refer to my previous letter of 17.2.2000. issued in the context of the recommendations of the PAC in Para 48 of their First Report (12th Lok Sabha).

3. In the present case, according to the Department of Telecom. the reason for excess expenditure has been more appropriations made from Telecom. Services to the Capital Reserve Fund than originally budgeted. While it may be argued that this is not a case involving any cash outgo, the fact remains that this gets reflected as an excess over the voted grant thereby attracting adverse attention. You may explore whether the

accounting procedures can be addressed to distinguish between such technical and real excess.

Yours Sincerely

Sd/-

(C.M. VASUDEV)

Shri Shyamal Ghosh,
Secretary,
Department of Telecommunications,
Sanchar Bhavan,
New Delhi.

ANNEXURE-IV

D.O. No. 12(2)/E. Coord./2000

सचिव
व्यय विभाग
वित्त मंत्रालय
भारत सरकार
SECRETARY
DEPARTMENT OF EXPENDITURE
MINISTRY OF FINANCE
GOVERNMENT OF INDIA
नई दिल्ली/NEW DELHI
Tel.: 3012929
3011663
Fax. : 3017546

30.10.2000.

Dear Shri Vasudevan,

I am writing this in the context of the recommendations of the Public Accounts Committee contained in Para 45 of their 6th Report (13th Lok Sabha) relating to excess over voted grants and charged appropriations (1997-98).

2. The Committee has taken adverse cognisance of the fact that excess has taken place in case of the Ministry of Surface Transport. In the past, a number of instructions have been issued by the Ministry of Finance in the context of the previous recommendations of the PAC regarding the need to avoid excess expenditure. In this connection you may please refer to my previous letter of 17.2.2000, issued in the context of the recommendations of the PAC in Para 48 of their First Report (12th Lok Sabha).

3. It is seen that excess in case of the Ministry of Surface Transport has taken place due to more receipt of light dues, which were transferred to the General Reserve Fund. While it may be argued that this is not a case involving any cash outgo, the fact remains that this gets reflected as an excess over the voted grant thereby attracting adverse attention. You may

explore whether the accounting procedure can be addressed to distinguish between such technical and real excess.

Yours Sincerely

Sd/-

(C.M. VASUDEV)

Shri R. Vasudevan,
Secretary,
Ministry of Surface Transport,
New Delhi.

C.M. VASUDEV

D.O. No. 12(2)/E. Coord./2000

सचिव
व्यय विभाग
वित्त मंत्रालय
भारत सरकार
SECRETARY
DEPARTMENT OF EXPENDITURE
MINISTRY OF FINANCE
GOVERNMENT OF INDIA
नई दिल्ली/NEW DELHI
Tel.: 3012929
3011663
Fax. : 3017546

2.11.2000.

Dear Sir/Madam

I am writing this in the context of the recommendations of the Public Accounts Committee contained in Para 45 of their 6th Report (13th Lok Sabha) relating to excess over voted grants and charged appropriations (1997-98).

2. In the past a number of instructions have been issued by the Ministry of Finance in the context of the previous recommendations of the PAC regarding the need to avoid excess expenditure. In this connection you may like to refer to my previous letter of 17.2.2000, issued in the context of the recommendations of the PAC in Para 48 of their First Report (12th Lok Sabha).

3. It is seen that in spite of the repeated instructions from this Department and the financial instructions contained in the General Financial Rules, the instances of excess expenditure has remained unabated.

4. I, therefore, take this opportunity to draw your personal attention to bear in mind that excess expenditure is "unauthorised" expenditure and that the authority administering a grant/appropriation would be held personally responsible for the control of expenditure against the sanctioned provisions in terms of the instructions issued by Department of Expenditure on 17.10.94 in pursuance of the recommendation made by the Committee in paragraph 1.20 of the 60th Report (10th Lok Sabha). I also request you to ensure that rigid enforcement of prescribed financial rules and procedures so as to contain the instances of excess expenditure only to genuine and inevitable payments. Steps should also be taken to deal

sternly with cases where any slackness is noticed in observance of prescribed financial rules.

Yours Sincerely

Sd/-
(C.M. VASUDEV)

To,
All Secretaries to the Govt. of India.

Recommendation

In this context, the Committee further recommend that the Department of Expenditure should issue clear-cut instructions to all the Ministries/ Departments laying down that the explanatory notes on excess expenditure wherever incurred during the year 2000-2001 and onwards, should invariably be furnished to the Committee giving explicit details of the circumstances which led to overall excess under a grant or appropriation; the specific action taken by the grant administering authority in the Ministry/Department concerned to obtain additional funds or an advance from the Contingency Fund wherever the existing provisions were not found sufficient and consequently the grant as a whole got exceeded and action taken to fix responsibility in case of default in observance of prescribed financial rules.

[S.No. 2 Appendix-5 Para 46 of 6th Report of PAC (13th Lok Sabha)]

Action Taken

In pursuance of the recommendations of the Public Accounts Committee, all the Ministries/Departments of Government of India have been directed *vide* our O.M. No. 1/6/2000-MC dated 11.10.2000 to ensure that recommendations of the Committee are strictly complied with while preparing the explanatory notes on excess expenditure for the year 2000-2001 onwards.

This has been vetted by Audit *vide* their Office U.O. No. RR/1-18/ 1999-2000/714 dated 7/11/2000.

Sd/-
(S.R. SHIVRAIN)
Additional Controller General of Accounts

[Ministry of Finance (Department of Expenditure) F.N. 1/6/2000-MC dated 15.11.2000.]

Recommendation

The observation of the Committee relating to Ministry of Surface Transport is in respect of excess expenditure incurred under Revenue Section (Voted) of Grant No. 80-Ports, Lighthouses and Lightships of Financial year 1997-98.

Ministry of Surface Transport had incurred an expenditure of Rs. 13.66 crore over and above the sanctioned provision of Rs. 281.09 crore which included supplementary provision of Rs. 47.87 crores obtained in August, 1997 and March, 1998. The excess of Rs. 13.66 crore was the net effect of total excess of Rs. 53.45 crore and total saving of Rs. 39.79 crore under various sub-heads of the grant. The bulk of the excess expenditure was occurred under sub-head "General Reserve Fund".

The Committee desire the Ministry of Surface Transport (Deptt. of Shipping) to carefully review the efficacy of their budgetary mechanism

and apply necessary correctives wherever required. They also desire to be apprised of the precise steps taken in this regard.

[Sl. No. 3 Appendix-V Para 47 of Sixth Report of PAC (Thirteenth Lok Sabha)]

Action Taken

As per the Lighthouse Accounting Rule 30(2) (Annx.-II), the surplus or deficiency of each year, after meeting the revenue expenditure is transferred to General Reserve Fund (GRF). The amount appropriated in GRF is utilised by the Department to meet its capital expenditure after due approval of administrative Ministry and Ministry of Finance by way of five year plan and annual plans.

The accumulated amount available in the GRF from the remittance of lightdues and other receipts is Rs. 17115.26 lakh as on 31.3.1999. The GRF does not form part of the Consolidated Fund of India. It is an interest bearing reserve fund of Ministry of Surface Transport and it forms part of Public Accounts. On bahalf of the Department the light dues are collected by the Department of Customs on commission basis @ 0.5% of the collected amount.

As per Rule 8(3) of the Lighthouse Accounting rule (Annx.-III), the Customs Department first accounts for the entire collection on account of light-dues in the Public Accounts of India under the head "8658-Suspense" Account— Pay & Accounts officer—Suspense items adjustable by Pay & Accounts Officer, Department of Lighhouse & Lightships. The Department of Customs after reconciling the collections booked under "8658-Suspense" remits the amount through cheque to the Pay & Accounts Officer, Lighthouse & Lightships. The Pay & Accounts Officer, Lighthouse & Lightships books the amount so received under the head mentioned above. After actual realization of the cheques, the amount is booked by the Department of Lighthouse & Lightships under the head "1051-Receipt".

The entire light-dues receipts for the financial year is voted as expenditure. This includes revenue expenditure on salaries and management and surplus. The surplus funds are transferred to General Reserve Fund. This fund is meant for catering to the needs of the Department for capital expenditure. Accordingly, while preparing the final proforma accounts of the year, the capital expenditure for the year is

debited to the accumulated GRF. The following table indicates the status of the GRF in the last three years:—

(Rs. in lakhs)

Year	Light dues actually Collected	Misc. receipts	Total (Col. 2 & 3)	Revenue expenditure	Amount transf. to GRF (Col. 4-5)
1996-97	5768	370	6138	3020	3118
1997-98	7939	461	8400	2594	5806
1998-99	7848	502	8350	2989	5361

The above table indicates the position regarding the revenue expenditure. The position with regard to capital expenditure may be seen from the following table:—

(Rs. in lakhs)

Year	B.E.	R.E.
1996-97	1500	1500
1997-98	1200	1200
1998-99	1200	2386

The capital outlay for the Department included in the Ministry's budget is deducted from the GRF at the time of preparing proforma accounts.

The accounts of the Department are maintained one commercial accounting procedure, where cheques received by the Department of LH&LS are considered as 'receipts' for projection in the proforma accounts, whereas in the Income and Expenditure Statement, the figures of light due collected are taken after the realisation of the cheques by the Pay & Accoutns Officer, Department of LH&LS.

Reasons why the Projections went Haywire

For the fiscal year 1996-97, the Department had anticipated a revenue of Rs. 53.77 crore towards the light-dues collection. Accordingly, the budget estimate was projected to be Rs. 53.77 crore, whereas the actual collection of light-dues at the end of the fiscal year (31.3.1997) was Rs. 57.68 crore, which constituted an increase of Rs. 3.91 crore. Since the increase was only Rs. 3.91 crore, it was felt that the anticipated light-dues collection would be increased marginally during the following year, i.e. 1997-98. Accordingly, the budget estimate for the fiscal year 1997-98 was projected at Rs. 53.94 crore, which was subsequently reduced to Rs. 51.15 crore at the stage due to 5% general cut on budget provision.

However, the actual accrual of light-dues was Rs. 84.00 crore. Since there was a steep increase, it was considered necessary to observe the pattern, for the purpose of projecting the Budget Estimates for a enhanced anticipated light-dues collection. As such, for the year 1998-99 also, a budget provision of Rs. 54.31 crore was made. Again, the actual collection was Rs. 83.50 crore, which information could only be established in April 1999. Meanwhile, as the pattern could not be a established on one year

collection, the Department projected a budget estimate of Rs. 54 crore at the RE stage.

At the RE stage also, the anticipated figures of light-dues collection may not be possible to predict with a fair degree of certainty, as there can be large variation in the traffic of vessels from month to month and year to year, which depends on various factors beyond the control of Department. The figures below indicate the uncertain pattern of light-dues collection before RE stage (August) and at the closing of the financial year:—

(Rs. in lakhs)

Year	Light dues collection from April to August	Light dues collection from Sept. to March
1996-97	2809	2960
1997-98	3675	4264
1998-99	2622	5217

In view of the difficulties in making realistic assessment regarding collection of light-dues, stated above, the projections for General Reserve Fund in the Department's budget went haywire. No supplementary grant was required for remedying the situation.

Reasons for Saving Under Major Head-3051

(i) A study on Port vision-2020 was originally planned to be funded out of the funds kept for R&D studies under MH 3051. Subsequently, it was decided that the study would be funded by the Indian Port Association. This alone accounted for a saving of more than Rs. 1 crore.

(ii) Training for Port Projects— There was an amount of Rs. 1 crore in BE reduced to 0.25 crore in RE. The actual expenditure was NIL as no training programme could be finalised during the year.

(iii) Other training seminars for Port Privatisation (BE Rs. 3 crore, RE Rs. 0.50 crore, Actual expenditure-0.09 crore) 1997-98 was the first was year in which this unit of appropriation was introduced. The Port sector was opened for private sector participation in October, 1996 and out of the Port privatisation head, it was planned to hold seminar, Road Shows etc. abroad to market Government's privatisation efforts. This activity did not materialise which led to a saving of Rs. 2.91 crores.

Remedial Measures

1. Ministry has initiated action to review the accounting procedure being followed by DG(LHLS) and to look into other related issues.

2. It has been decided to strengthen the accounting department of Lighthouse and Lightships.

Sd/-

ADDL. SECRETARY & FINANCIAL ADVISER

(Ministry of Surface Transport O.M. No. G-25018/PPAO/ATN/PAC/6th Report/1999-2000/dated.....).

This has been vetted by Audit vide DGACR's U.O. No. RR/1-19/1999-2000/748 dated 11.9.2000.

Recommendation

During the course of their examination of the cases of excess expenditure the Committee found that the Revenue Section (Voted) of Grant No. 14, Telecommunication Services recorded an overall excess of Rs. 356.41 crore during the year 1997-98. In their explanatory note to the Committee, the Department of Telecommunication attributed this excess expenditure mainly to the increased appropriation made from Telecom Surplus on account of enhanced generation of revenue due to more receipts from VSNL. Singificantly, the Department of Telecommunication Services had been persistently making appropriations in excess of the budgeted figures from Telecom surplus to their Reserve Funds during the preceding three years. Taking note of this recurring trend of excess expenditure of similar nature from 1994-95 onwards, the Committee in their first report (12th Lok Sabha) had *inter-alia* observed that the Department of Telecommunications had been vitiating the budgetary process and generating a sort of a artificial surplus for enhancing appropriations to their Reserve Funds by registering large scale savings under the working expenses of the Telecommunication Services and **desired that the Department should undertake a thorough review of their budgetary system in right earnest so as to avoid excess expenditure and violation of budgetary ceilings of the this nature in future.** Although, the Department have once again pleaded that the appropriations of surplus to Reserve Funds is an accounting adjustment of the operating surplus of the Department and does not involve any cash outgo, yet the fact remains that the expenditure estimates of the Department were not framed realistically and there were large scale savings in a number of sub-heads under working expenses. While expressing their unhappiness over this dismal state of affairs, the Committee desire the Department of Telecommunications to critically examine and analyse the reasons for recurring phenomenon of excess expenditure of this nature and take remedial measures to revamp their budgetary systems so that violation of budgetary ceiling of this nature are avoided in future.

[Sl. No. 8, Para—48 of Sixth Report of PAC (13th Lok Sabha)]

Action Taken

The instructions of PAC have been noted.

In line with PAC's earlier observations, the Department took steps to frame the estimate more realistically and it is stated in this connection that

the percentage of excess came down from 2.34% of the sanctioned grant in the year 1997-98 to 1.62% in the year 1998-99 in demonstration of the Department's efforts.

With the formation of Bharat Sanchar Nigam Limited on 1.10.2000, the budgetary and accounting systems have now been completely revamped. All the Revenue receipts of the DoT are now accounted for in Govt. account and all the expenditure also met from the budget.

This issues with the approval of Member (Finance).

Sd/-
(ANURADHA MITRA)
DDG(EAF)

File No. 1-39/2000B.

[Para 48 of 6th Report of PAC (13th Lok Sabh)]

This has been vetted by D.G. Audit (P&T) vide their U.O. No. RR. III/1(b) 400 App./A/cs 1997-98/729/TR-5 dated 18.1.2002 with remarks:

"This office has no further comments."

No. 27-II/2000-2001/B-II dated 5.4.2002.

Recommendation

Para No. 49— The Commitee note from the Appropriation Accounts of the Ministry of Railways for the year 1997-98 that an expenditure aggregating Rs. 161.73 crore had been incurred over and above the sanctioned provisions under seven grants/appropriations operated by the Ministry of Railways. After taking into account the effect of misclassification, the actual excess expenditure requiring regularisation worked out to Rs. 160.34 crore instead of Rs. 161.73 crore as depicted in the relevant Appropriation Accounts. To the utter dismay of the Committee, excess expenditure of over Rs. 10 crore each had been incurred under all the four cases of excess registering grants. What is still more disturbing is the fact that this excess expenditure had occurred despite obtaining supplementary provisions amounting to Rs. 1327.40 crore in six cases out of seven excess registering grants/appropriations. Evidently, the Railways have once again failed not only in keeping the required vigil over the trend of expenditure but also in assessing properly their actual requirement of funds even while seeking supplementary provisions at the fag end of the year. It is rather distressing that inspite of repeated exhortations by the Committee for ensuring strict observance of financial principles to contain the excess expenditure to the barest minimum, the Ministry seen to have taken no appropriate steps in right direction. In view of the persisting trend of excess expenditure being incurred by Railways year after year, the Committee feel that the budget

wings and accounting formations both at the level of Railway Board and Zonal Railways need to be modernised and fine tuned to take advantages of the advances made in the field of information technology so as to evolve a reliable mechanism with a view to ensure regular flow of requisite information from the field formations for the purposes of framing expenditure estimates on a realistic basis as well as for taking timely action to contain the expenditure within the budgetary allocations. The Committee would like to be apprised of precise steps taken in this regard.

[Sl. No. 5, Appendix V, Para 49 of 6th Report of PAC (13th Lok Sabha),]

Action Taken

There is a constant endeavour in this Ministry to control the incidence of excess expenditure. An indication of the result of this effort is brought out in the following table which shows that the total excess, both in absolute terms and as percentage of the total expenditure, has been kept in check, more significantly so in the years 1996-97 and 1997-98.

(Rs. in Cr.

Year	Total expenditure on Railways	Excess incurred	%f
(1)	(2)	(3)	(3) to (2)
1992-93	28399	539	1.90
1993-94	31393	1217	3.88
1994-95	33951	391	1.15
1995-96	37324	603	1.62
1996-97	40833	191	0.47
1997-98	47720	160	0.34

It is also submitted that out of the total excess of Rs. 160.34 Cr., higher appropriation to various Railway Funds accounts for Rs. 65.23 Crore. which became possible with improved financial results permitting higher appropriation under Demand No. 14. The excess arising from increased appropriation is, in a sense, technical in nature.

The Railways are in the process of implementing a computer based Financial Management Information Systems (FMIS), amongst others, on different Zonal Railways. Software for Budget preparation is also being upgraded. These would enable the field units and Zonal Railways to access the fund requirements more realistically and also lead to better expenditure control.

Sd/-
(S.N. TRIVEDI)
Adv. Finance, Railway Board.

[M/o Railways's O.M. No. 2000-BC-PAC/XIII/6 dt. 3.2001.]

Recommendation

Para No. 50—The Committee note that Grant No. 8—"Operating Expenses—Rolling Stock and Equipment" registered an excess expenditure of Rs. 38.64 crore. Distressingly, the Ministry of Railways did not procure any supplementary funds to meet their additional requirement of funds under this grant particularly when excess expenditure under this grant has been a recurring feature from 1993-94 onwards. Surprisingly enough, a security of the explanatory note furnished by the Ministry revealed that an excess of Rs. 111.73 crore had occurred under two minor heads viz., "Carriages and Wagons" (Rs. 12.17 crore) and "Traction (other than Rolling Stock) and General Electrical Services" (Rs. 99.56 crore). What is still worse is the fact that the minor head "Traction (other than Rolling Stock) and General Electrical Services" has been persistingly recording excess expenditure from 1990-91. Clearly, the Ministry of Railways have not drawn any lessons from their past experience. In the opinion of the Committee, this endemic tendency on the part of Ministry of Railways to exceed the budgetary ceilings under this grant is a sad commentary on the manner in which this grant is being administered by the Ministry. The Committee hope that the Ministry of Railways would atleast now act by taking concrete measures to effect improvements in the management of this grant.

[Sl. No. 6, Appendix V, Para 50 of 6th Report of PAC (13th Lok Sabha)]

Action Taken

The excess that has occurred in Grant No. 8 during 1996-97 and 1997-98 was relatively higher, working out to 1.56% and 1.98% respectively.

These years were affected by the impact of the implementation of the V Central Pay Commission's recommendations, particularly relating to the element of arrears.

The concern of the Committee over the excess is, however, noted. Adequate care will be taken to avoid excess in this grant henceforth. The concern of the Committee is also being conveyed to the Zonal Railways (copy enclosed).

Sd/-

(S.N. TRIVEDI)
Adv. Finance, Railway Board.

[M/o Railways's O.M. No. 2000-BC-PAC/XIII/6 dt. .3.2001.]

Recommenation

Para No. 51—Under Grant No. 10—Operating Expenses—Fuel, the Ministry of Railways obtained supplementary provisions of the order of Rs. 160.31 crore in March 1998 to meet the increase in cost of HSD oil and Electricity tariff and yet incurred an overall excess of Rs. 38.59 crore under this grant during 1998-99. The Committee however, find that while

the minor head "Electric Traction" finally registered an excess expenditure of Rs. 195.16 crore mainly due to revision in tariff rates of electricity by the various State Electricity Boards etc., the minor head "Diesel Traction" recorded a saving of Rs. 56.38 crore mainly due to less consumption of HSD oil. This clearly shows that the Ministry have not been able to anticipate and assess the precise requirement of funds under this grant even in the closing month of March 1998 when they sought supplementary provisions. The Committee are of the view that unless some tangible and innovative steps are taken to ensure the realistic assessment of requirement of funds by the Zonal Railways, the position is not going to improve. The Committee would like to be apprised of the steps taken by the Ministry of Railways in this direction.

[Sl. No. 7, Appendix V, Para 51 of 6th Report of PAC (13th Lok Sabha)]

Action Taken

The concern of the Hon'ble Committee has been noted. Fuel consumption is one of the primary areas of concern for the Ministry of Railways. This Ministry entirely agrees with the observations of the Hon'ble Committee that assessment of requirement of funds by the zonal Railways, should be made on a realistic basis. Implementation of a new computer-based Financial Management Information System (FMIS) on different Zonal Railways which is expected to enable them to improve the assessment of fund requirement and use of an upgraded software for budget preparation is expected to help in this regard.

Sd/-

(S.N. TRIVEDI)
Adv. Finance, Railway Board.

[M/o Railways's O.M. No. 2000-BC-PAC/XIII/6 dt. .3.2001.]

Recommendation

Para No. 53—The Committee are perturbed to find that the instances of misclassification of expenditure continue to recur unabatedly in Railway Accounts despite issuance of instructions by the Ministry of Railways in pursuance of the off-repeated concern expressed by the Committee. Surprisingly, as many as 80 cases of misclassifications in expenditure were noticed in the accounts of 1997-98 and this misclassification even effected the quantum of excess expenditure under the grants of the Railways as a whole. While expressing their unhappiness over the manner in which accounts were maintained by Railway Administrations where glaring errors escaped unnoticed and could be rectified only after the finalisation of Appropriation Accounts, the Committee would like the Ministry of Railways to pay attention to this aspect so as to eliminate chances of misclassification of expenditure. The Committee also expect the Railways to ascertain the reasons for each case of misclassification and take

conclusive action against the officials found responsible for lapses in all such cases.

[Sl. No. 9 Appendix V Para 53 of *Sixth Report* of PAC (13th Lok Sabha)]

Action Taken

The Statement of Misclassification/Mistakes in accounting broadly fall under the following categories;

(i) Misclassification between Voted and Charged expenditure;

(ii) Misclassification/Mistake between one Grant and another.

(iii) Misclassification/Mistake arising from lack of vigilance at various levels

(iv) Misclassification/Mistake arising from a differing perception as regards the interpretation of allocation Rules or procedures.

The statement of Appropriation Accounts-Annexure 'J' is divided into two parts i.e. Part I and II, the former being Misclassifications affecting the Grant Accounts for the year and the latter reflecting Other Mistakes in accounting viz., delayed accountal/non-accountal of transfer of materials etc. Of the 80 items which are appearing in the Annexure 'J' for 1997-98, 30 cases figured under Part I.

The Zonal Railways/Units concerned had been directed to ensure that corrective action is taken after reviewing individual cases of Annexure 'J' *vide* Board's D.O. letter No. 98. APP/4-12/97-98 dated 11-02-2000.

The Misclassifications/Mistakes which are of an avoidable nature are viewed seriously and the circumstances under which they occurred are examined for taking appropriate follow-up action.

It will continue to be the constant endeavour of the Railways to minimise the incidence of misclassifications.

Sd/-
(S.N. TRIVEDI)
Adv. Finance,
Railway Board.

[M/o Railways' O.M. No. 2000-BC-PAC/XIII/6 dt. 03.2001.]

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No. 2000-B-342 New Delhi, dated .9.2000

The General Managers,
All Indian Railways,

Sub: *Excess over Voted Grants/Charged Appropriations—1997-98*

In 1997-98, Railways incurred an excess expenditure of Rs. 161 cr in the following Demands:

(Rs. in thousands)

Demand No.	Grant	Appropriation
3	—	18
4	—	3,91
8	38,64,24	—
9	—	69,82
10	38,58,80	—
14	65,22,71	—
16	17,14,12	—
Total	159,59,87	73,91

Although the quantum of "Excess" has come down over the years, cases of inaccurate estimation by Railways continue to occur. This has been viewed seriously by the Public Accounts Committee (PAC) (13th Lok Sabha), *vide* their Sixth Report. The relevant extracts of the PAC's Report are enclosed.

The Committee has expressed serious concern in case of Grants No. 8 & 10. No Supplementary Grant was obtained under Grant No. 8 and Railways have been incurring excess in respect of this grant for many years. In respect of Grant No. 10 excess expenditure was incurred even after obtaining the Supplementary Grant of Rs. 160 cr making the position more unsustainable.

It has also been noticed that the Railways are not always submitting their Final Modification Estimates in time. These estimates from a useful basis for obtaining the Supplementary Grants. As a result of this, a realistic assessment of the requirement for the Supplementary Grants becomes very difficult. It is, therefore, imperative that concrete measures are taken to ensure

that Budget and Accounting information systems are tightened so as to enable accurate and timely assessment of funds required.

Although, a comprehensive mechanism of budgetary and financial control already exists on the Railways, what is missing is the strict observance of the financial discipline that is required despite the fact that the need to contain the expenditure within the authorised grants has been stressed time and again. In this context it is stressed that the Railways must follow a reliable system of recording expenditure commitments and control these effectively so as to obviate any excess over the grant. Projections of higher funds at RE or FM stage do not by themselves authorise the Railways to incurr expenditure at higher level. Such cases of excess are serious and are to be construed as a failure of financial control.

The lapses in this regard have been viewed seriously and the Railways are advised to exercise proper financial discipline. No expenditure should be incurred over the above the authorised allotment without the approval of the competent authority as per the rules of re-appropriation; and in no case, should the expenditure exceed the authorised grant. As soon as it is felt that Grant is going to be exceeded, strict control on the expenditure should be exercised until additional authorisation comes through, either by re-appropriation at the Board's level or through a Supplementary Grant obtained from Parliament. Timely submission of Budget/Supplementary estimates in this regard should also be ensured. The system of monitoring of expenditure *vis-a-vis* the monthly budget proportion should be made more rigorous so as to ensure that there is no excess over grant.

Kindly acknowledge receipt.

DA: As above

(Jagmohan Gupta)
Joint Director, Finance (Budget),
Railway Board.

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
(BUDGET DIVISION)

Recommendation

Subject to the observations made in the preceding paragraphs, the committee also recommend that the expenditure referred to Paragraph 16 of this report be regularised in the manner prescribed in Article 115(1)(b) of the Constitution of India.

{Paragraph 54 read with Paragraph 16 of Sixth Report of Public Accounts Committee (1999-2000) (Thirteenth Lok Sabha). Excesses over voted Grants and Charged Appropriations during (1997-98)}

Action Taken

The demands for Excess Grants (excluding Railways) for the year 1997-98 were passed by Lok Sabha on 21.8.2000. The connected Appropriation Bill was passed by Rajya Sabha on 22.8.2000. This was assented to by the President of India on 8.9.2000.

This Note has been vetted by Audit *vide* their U.O. No. RR/1-20/1999-2000/800

Dated 27th November 2000.

Sd/-
(D. SWARUP)
Joint Secretary (Budget)

[Ministry of Finance Department of Economic Affairs (Budget Division), New Delhi-110001
O.M. No. F.4(3)-B (SD/99) Dated 8.12.2000]

CHAPTER III

RECOMMENDATIONS OR OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM GOVERNMENT

-NIL-

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

Para No. 52—The Ministry of Railways also incurred an excess expenditure of Rs. 65.23 crore under Grant No. 14—Appropriation to Funds. As in the past, the Ministry have pleaded that the excess under this grant is in the nature of "technical excess" arising from improved financial results during that year. The Committee's examination however, revealed that while the Railway Convention Committee in their Third Report (11th Lok Sabha) had agreed with the proposal of the Ministry of Railways that the contribution to the Depreciation Reserve Fund (DRF) for 1997-98 might be kept at Rs. 2000 crore subject to minor adjustments and the capacity of the system to generate internal resources, the Ministry subsequently reduced the appropriation to DRF by Rs. 96 crore and enhanced the allocations to Capital Fund by an equal amount. The end result at the close of the accounts for the year was that the amount of Rs. 1904 crore appropriated to DRF was far less than the actual expenditure of Rs. 1983.28 incurred from this fund while the Capital Fund was credited with Rs. 1189.89 crore which was in excess by Rs. 165.89 crore over the original budgeted level. In the absence of any plausible explanation, the Committee are unable to comprehend as to what prompted the Ministry to reduce the contributions to DRF particularly when there is a crying need to meet the expenditure on replacement and renewal of the existing assets of the Railways. At this stage, the Committee can only expect the Railways to review the efficacy and rationale of their system of making appropriations to different Railway Fund under this grant.

[Sl. No. 8 Appendix V Para 52 of 6th Report of PAC (13th Lok Sabha)]

Action Taken

The concern of the Committee is noted. It is submitted that although appropriation to DRF from revenue was reduced from Rs. 2000 crore in BE to Rs. 1904 crore the total appropriation to the Fund was Rs. 2049 crore made up of Rs. 1904 crore from revenue. Rs. 50 crore from Capital and Rs. 95 crore as interest accrued. Against this appropriation of Rs. 2049 crore the actual outgo was Rs. 1983 crore. Thus the entire

requirement of funds under DRF was met. The "Excess", or the balance available after payment of dividend, was appropriated to the Capital Fund, as is required.

The appropriation to different Railway Funds is, presently, made keeping in view the likely expenditure from these Funds. While the appropriation to Pension Fund is based on the estimated requirement of the pensionary charges during the year, the appropriation to the other Railway funds *viz.* Depreciation Reserve Fund. DF & Capital Fund depends upon the plan requirements as fixed in consultation with the Planning Commission taking into account the financial position and resource availability. The appropriation would continue to be on the same basis till the financial position of the Railways permit higher appropriations than withdrawal.

Sd/-
(S.N. Trivedi)
Adv. Finance, Railway Board.
[M/o Railways' O.M. No. 2000-BC-PAC/XIII/6 dt. .03.2001.]

CHAPTER—V

)MMENDATIONS OR OBSERVATIONS IN RESPECT OF GOVERNMENT HAVE FURNISHED INTERIM REPLIES/ NO REPLIES

-NIL-

N. JANARDHANA REDDY,
Chairman
Public Accounts Committee.

1924 *(Saka)*

MINUTES OF THE TWENTY-FOURTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2001-2002) HELD ON 19 APRIL, 2002

The Committee sat from 1000 hrs. to 1040 hrs. on 19 April, 2002 in Committee Room 'E', Parliament House Annexe.

PRESENT

Shri N. Janardhana Reddy—*Chairman*

MEMBERS

Lok Sabha

2. Dr. Madan Prasad Jaiswal
3. Shri Bhartruhari Mahtab
4. Shri Rupchand Pal
5. Kunwar Akhilesh Singh
6. Shri Chhatrapal Singh

Rajya Sabha

7. Shri Satish Pradhan
8. Prof. Ram Gopal Yadav

SECRETARIAT

1. Shri K.V. Rao — *Joint Secretary*
2. Shri Devender Singh — *Deputy Secretary*
3. Shri R.C. Kakkar — *Under Secretary*
4. Shri B.S. Dahiya — *Under Secretary*

OFFICERS OF THE OFFICE OF C&AG OF INDIA

1. Shri P. Sesh Kumar — Pr. Director of Audit (DT)
2. Shri V. Ravindran — Pr. Director of Audit (AF& Navy)
3. Shri I.D.S. Dhariwal — Director (Reports), DGA, P&T

2. At the outset, the Chairman, PAC welcomed the Members of the Committee. Thereafter, the Committee took up for consideration and adoption of the following five draft reports:

(i) Paragraph 3.1 of Report of C&AG of India for the year ended 31 March 1998 (No. 12.07.1999) on "Export Incentives and Deductions in respect of profits retained for Export Business".

(ii) Paragraph 2 of Report of C&AG of India for the year ended 31 March 1999 (No. 8 of 2000), Union Government (Defence Services—Air Force & Navy) on "Acquisition of SU-30 aircraft".

(iii) Paragraph 4.1.2 of the Report of C&AG of India for the year ended 31 March 1998 (No. 9 of 1999) on "Avoidable Import of High Capacity Diesel Powered Breakdown Cranes" (Railways).

(iv) Action taken on the recommendations contained in 17th Report of PAC (13th Lok Sabha) on "Working of Circle Stamp Depots".

(v) Action taken on the recommendations contained in Sixth Report of PAC (13th Lok Sabha) on "Excesses Over Voted Grants and Charged Appropriations (1997-98)".

3. After some discussion, the Committee adopted the reports without any modification/amendment.

4. The Committee authorized the Chairman to finalise the draft report at Sl. No. 2 after considering the comments of the Ministry of Defence from Security angle. They also authorised the Chairman to finalise the draft reports in the light of changes arising out of the factual verification by Audit, if any, and also to present these reports to Parliament.

5. The Committee, thereafter, decided to undertake weekend study tour to Hyderabad on 28th April, 2002.

The Committee then adjourned.

APPENDIX

STATEMENT OF CONCLUSIONS AND RECOMMENDATIONS

Sl. No.	Para No.	Ministry/ Department	Conclusions and Recommendations
1	2	3	4
	8	Finance (Expenditure & Economic Affairs), Department of Tele-communications and Railways	Drawing attention to the persistent delay in the submission of ATNs on their recommendations and observations, the Committee in Paragraph 5 of their 14th Report (13th Lok Sabha) had desired that the Government should examine the causes of such delays and make earnest efforts to ensure that ATNs are finalised by all concerned Ministries/Departments with utmost expedition so as to furnished the Committee within the time limit prescribed. It is seen from the action taken note that, as in the past, the Ministry of Finance (Department of Expenditure—Monitoring Cell) have issued instructions to Ministries/Departments that Monitoring Committee headed by Secretaries of the administrative Ministries/Departments should meet atleast once a month to monitor disposal of pending ATNs. According to them the concerned Ministries/Departments are being periodically reminded at Secretary (Expenditure)/Controller General of Accounts level by highlighting the urgency of submitting ATNs within the prescribed time limit. The Committee have been emphasising, year after year, the need for ensuring that their recommendations receive prompt attention, and also for scrupulously observing the time-schedule prescribed in their 5th Report (4th Lok Sabha) for the furnishing of ATNs to the Committee. Though there has been no dearth of instructions in this regard in pursuance of the Committee's earlier recommendations on the

1	2	3	4
			subject, the position still continues to be far from satisfactory as unconscionable delays continue to recur. The Committee reiterate that given the will, and with a little effort, it should be possible for the Ministries/Departments to furnish the ATNs in much quicker time in any case, some in exceptional circumstances, within the prescribed period of six months from the presentation of the Report to the House.
2.	11	Railways	While pointing out appropriation to different Railway funds under this Grant, the, Committee in their earlier Report had expected the Ministry of Railways to review the efficacy and rationale of their system of making appropriations to diffirent Railway Funds under this Grant. Suprisingly, the Ministry of Railway have merely enumerated the present system of appropriation to different Railway Funds without disclosing the action taken or proposed to be taken to review the efficacy and rationale of the prevailing system. Obviously, the matter has not been addressed seriously and the failure of the Ministry to act upon the specific recommendation of the Committee is quite evident in this case. The Committee once again reiterate their earlier recommendation and urge the Ministry of Railways to evolve a sound and effective procedure for proper allocation to different funds based on concurrent review of actual need. They would like to have a specific report in regard to implementation of the recommendation of the Committee.
3.	14	Railways	Taking a serious view of the recurring trend of misclassification, of expenditure in Railway Accounts, the Committee had in their sixth Report (13th Lok Sabha) desired that the Ministry of Railways ascertain the reasons for each case of misclassification and take conclusive action against the officials found responsible for lapses. The action taken note

1	2	3	4
			furnished by the Ministry of Railways reveals that the Ministry have once again directed the Zonal Railways/Units concerned to ensure that corrective action is taken after reviewing individual cases of Annexure "J". Taking note of the large number of cases of misclassifications during the years 1998-99 and 1999-2000, the Committee are led to conclude that the repetitive instructions issued by the Ministry have failed to goad the Zonal Railways/Units to tackle the problem of misclassification of expenditure or erroneous adjustment. Going by the Past record of cases of misclassifications, the Committee are of firm opinion that either the procedure prescribed for prompt reconciliation of expenditure figures is imperfect or the various supervisory levels have failed to exercise effective control over the accounts. The Committee hope that the solemn assurance of the Railways to the Committee that it shall be their constant endeavour to minimize the incidence of misclassification will bring tangible results in the succeeding years.